

City of Milwaukee

Comparative Expenditure Report



W. Martin Morics
Comptroller

September 2004

Table of Context

	PAGE
I. Introduction	2
II. Expenditures by Purpose	3
III. Public Safety	4
IV. Public Works	5
V. General Government/Administration	6
VI. Conservation & Development	7
VII. Interest Expense	8
VIII. Culture & Recreation	9
IX. Health	10
X. Revenue Sources	11-12
XI. Local Taxes	13
XII. Property Taxes	14
XIII. State Shared Revenues	15
XIV. Charges for Services	16
XV. Data Source & Limitations	17
XVI. Comparable City Methodology	18

Introduction

This report was formulated in large part on testimony which I provided the Wisconsin Legislative Joint Committee on Finance in March, 2003. Since that time, I've received numerous requests for that data. I have noticed in the discussion over whether taxes are too high, should be frozen, or cut, virtually the entire debate centers on the level of taxation, with little discussion or analysis of what services are being provided, and whether they in fact cost too much, or too little.

Too little discussion focuses on the issue of what government should be doing, and whether the cost of the service is appropriate. This may, in part be due to a lack of reliable data on this point. When you confront diminishing resources, as well as increasing costs, the basic and difficult choice is what will you cut? What are you spending too much on or what services are no longer necessary? The decision to reduce or freeze taxes is not the touch decision but rather what services will you reduce is indeed the tough question.

Thus the concept for this report was born. As noted before, there is much information on what we as a City spend, but little organized information as to how that compares to our peers. After all, if taxes are too high, someone should be prepared to say "Relative to what?" While explanatory, the report attempts not to be critical or judgement. That part is left to the reader. But I am hopeful that this report will provide some factual basis for the reader's conclusions.

The City of Milwaukee is in the business of providing services to its citizens. The fact cannot be ignored however we are in a competitive business. The market basket of services we provide our citizens can and should be compared to our competition as one measure of how effectively we are doing our jobs. Our citizens will do this anyway. If they perceive that they are not getting value for the tax dollars they are paying they can and will "vote with their feet." Likewise, if we drastically curtail the services we provide, and our competitors do not, leaving our infrastructure deteriorating, or our health or public safety efforts at a level far below our competition, we will neither attract new growth or retain the citizens we have now.

The report is divided into sixteen sections. The methodology utilized is carefully explained on pages 17 and 18 of the report. And, as a first time effort, I realize that changes may be desirable in order to make future reports more meaningful. In that effort, I encourage the reader to contact me with any suggested changes for future reports.

Expenditures by Purpose

Like all cities, the City of Milwaukee provides a variety of services to its citizens, businesses, and visitors. City services are critical to ensuring the quality of life in our city will meet or exceed citizen's needs and expectations. Maintaining city services at an adequate level to provide for a safe and clear environment is critical to the long-term health of a city.

Per Capita Expenditures by Purpose

	City of Milwaukee	Average of Comparable Cities	Variance by Between Milwaukee & City Average	Milwaukee's Percentage of City Average
Public Safety	487	505	(18)	96%
Public Works	478	524	(46)	91%
General Government	115	161	(46)	71%
Conservation and Development **	87	115	(28)	76%
Interest Expenses	50	67	(17)	75%
Culture and Recreation	46	89	(43)	52%
Health *	44	34	10	129%
Total Expenditures	\$ 1,307	\$ 1,495	\$ (188)	87%

* Only five cities including the City of Milwaukee report health expenditures.

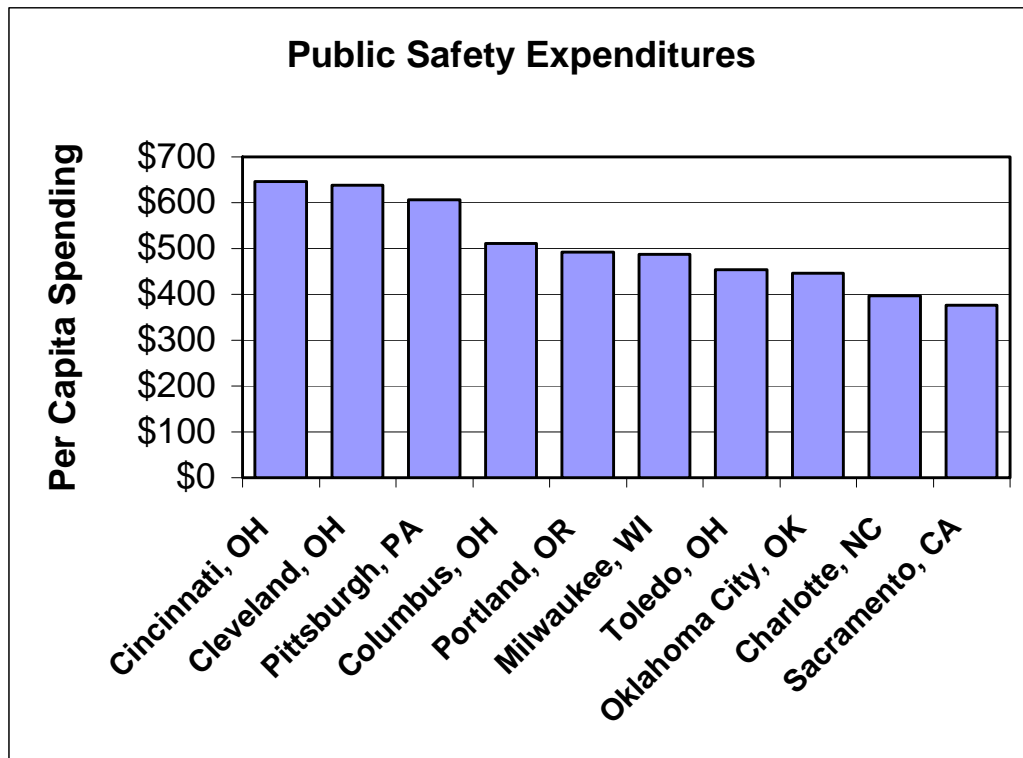
** Nine cities including the City of Milwaukee report Conservation & Development expenditures

Milwaukee spends \$188 less per capita than the average of comparable cities. The City of Milwaukee spends less than seventy-five percent of the average comparable city on general government, conservation and development, culture and recreation, and interest expense. In two categories, public safety and public works, Milwaukee's spends between 90% and 100% of the comparable cities per capita average.

Per Capita Expenditures Total Expenditures

Cincinnati, OH	\$ 1,912
Cleveland, OH	1,897
Portland, OR	1,861
Pittsburgh, PA	1,633
Sacramento, CA	1,588
Columbus, OH	1,415
Milwaukee, WI	1,307
Toledo, OH	1,142
Oklahoma City, OK	1,099
Charlotte, NC	1,096
Average of Cities	\$ 1,495

Public Safety

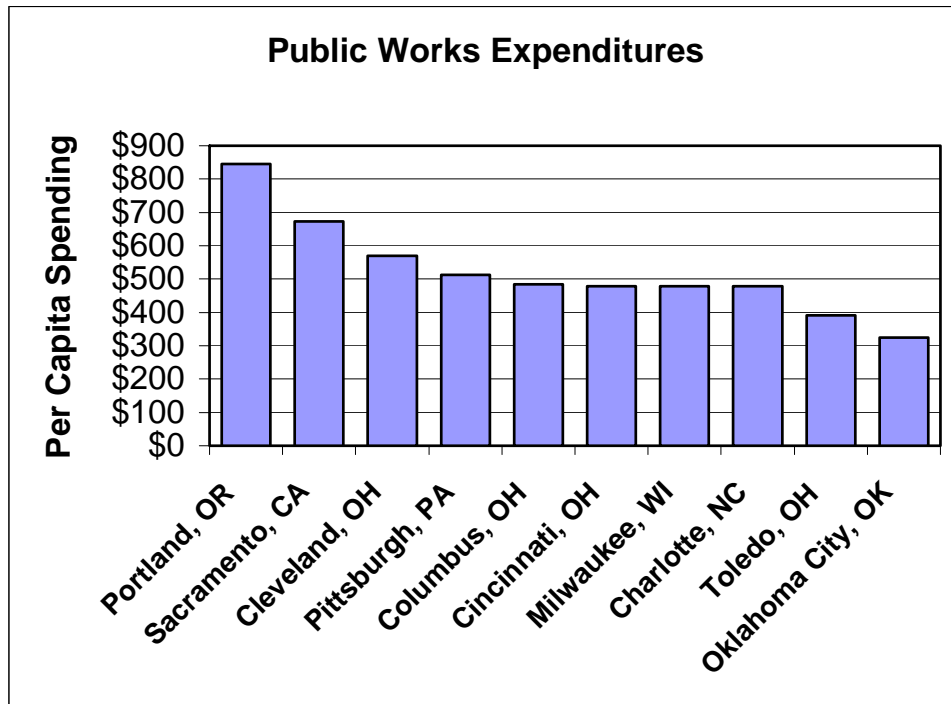


Public safety expenditures protect people and property within a city. These services are essential to the health, safety, and well being of city residents. Public safety includes police, fire and building inspection services. Milwaukee on a per capita basis spends about \$18 less than the average of comparable cities on public safety.

Per Capita Expenditures Public Safety

Cincinnati, OH	\$	646
Cleveland, OH		638
Pittsburgh, PA		606
Columbus, OH		511
Portland, OR		492
Milwaukee, WI		487
Toledo, OH		454
Oklahoma City, OK		446
Charlotte, NC		397
Sacramento, CA		376
Average of Cities	\$	505

Public Works

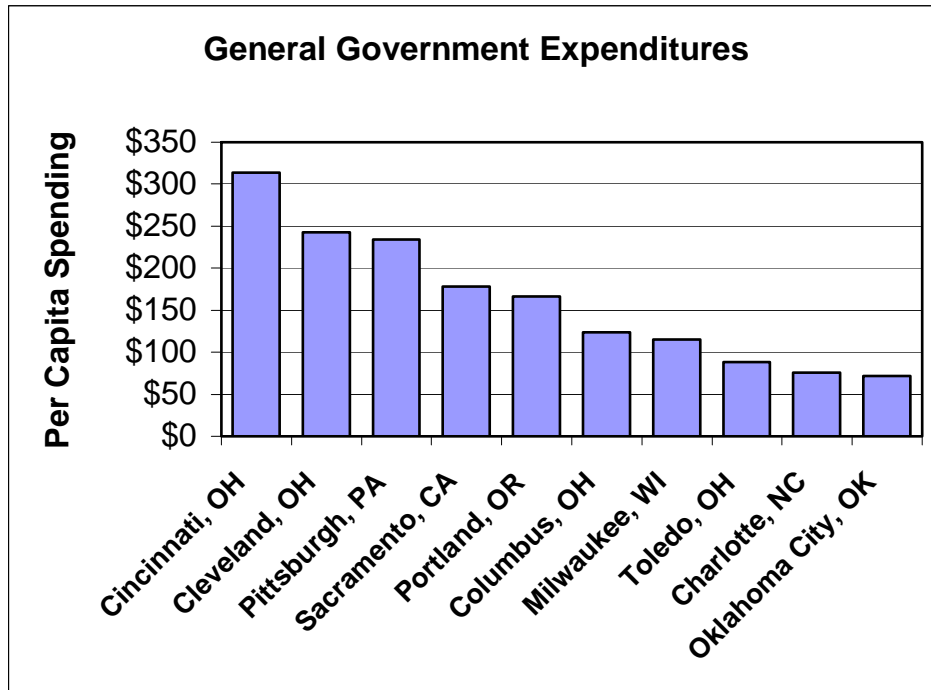


An efficient and well-maintained infrastructure is important to the economic vitality and attractiveness of a city. Maintaining safe and efficient sewers, streets, and other public ways furnish residents with access to employment, goods, and services while also providing businesses with an effective way to transport their products to customers. Milwaukee spends \$46 per capita less than the average of comparable cities on streets, sewers, and other public works' expenditures.

Per Capita Expenditures Public Works

Portland, OR	\$	846
Sacramento, CA		673
Cleveland, OH		570
Pittsburgh, PA		512
Columbus, OH		485
Cincinnati, OH		479
Milwaukee, WI		478
Charlotte, NC		478
Toledo, OH		392
Oklahoma City, OK		325
Average of Cities	\$	524

General Government

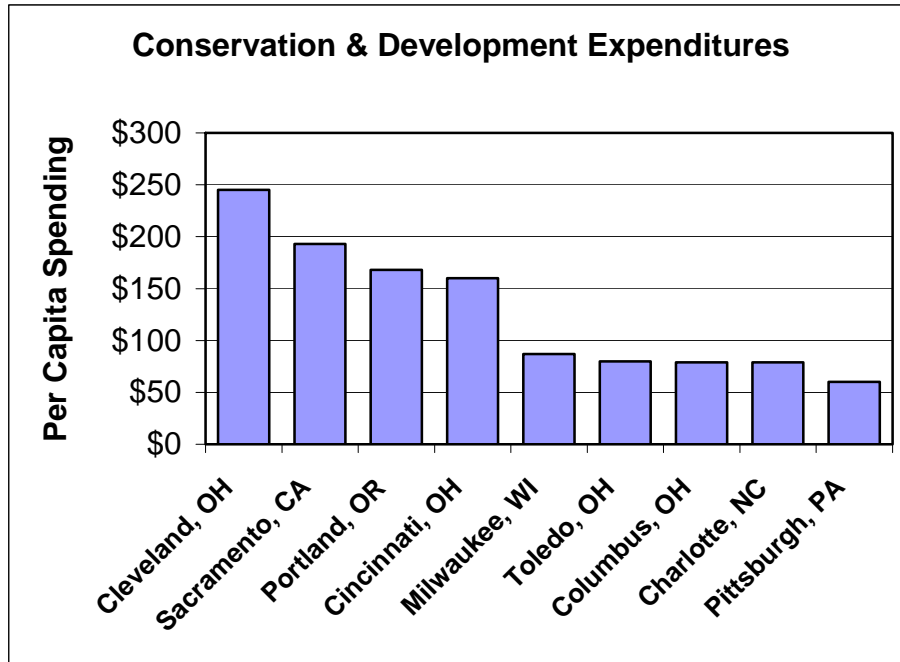


Administration costs are necessary to the operations of any organization. Milwaukee appears to control these costs better than many other cities. These include expenditures for the Mayor, Common Council, municipal court, legal and financial services, elections, property assessments, employee relations and other city management overhead. Milwaukee spends about \$46 per capita less than the average of comparable cities on general government or administrative functions.

Per Capita Expenditures General Government

Cincinnati, OH	\$	314
Cleveland, OH		243
Pittsburgh, PA		234
Sacramento, CA		178
Portland, OR		166
Columbus, OH		124
Milwaukee, WI		115
Toledo, OH		88
Charlotte, NC		76
Oklahoma City, OK		72
Average of Cities	\$	161

Conservation & Development

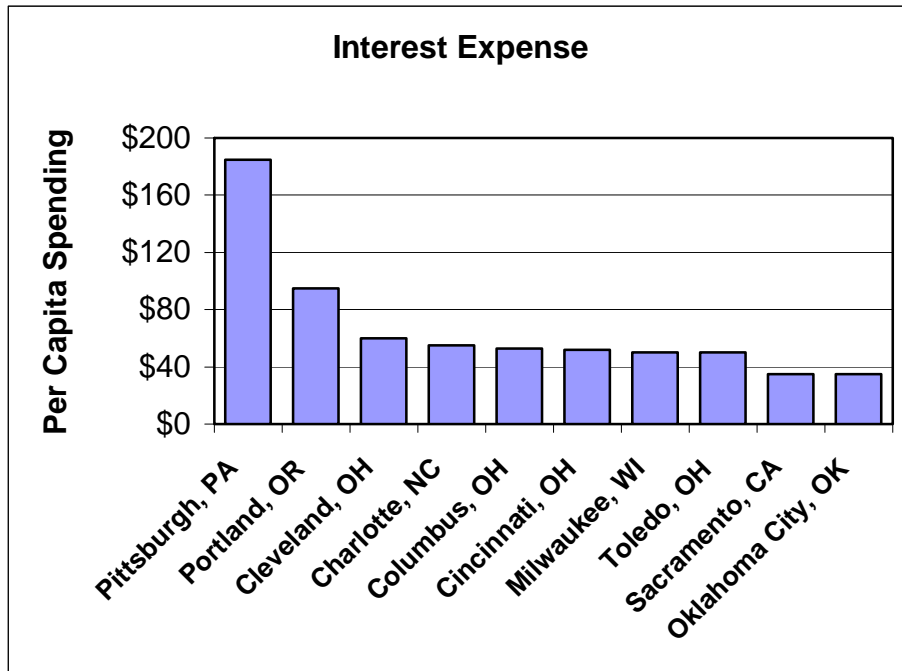


The promotion of economic development and job creation while strengthening the urban environment is provided under this category of expenditures. These expenditures include planning, economic and community development activities. The City of Milwaukee's per capita expenditures for conservation and development are \$28 less than the average of comparable cities.

Per Capita Expenditures Conservation & Development

Cleveland, OH	\$	245
Sacramento, CA		193
Portland, OR		168
Cincinnati, OH		160
Milwaukee, WI		87
Toledo, OH		80
Columbus, OH		79
Charlotte, NC		79
Pittsburgh, PA		60
Oklahoma City, OK		-
Average of Cities	\$	115

Interest Expense

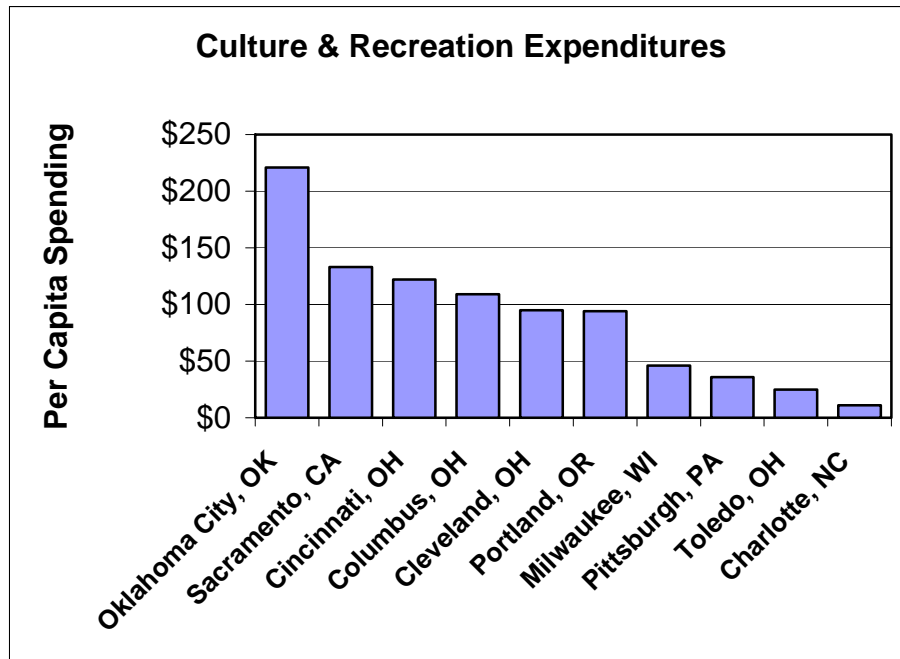


Milwaukee has long been recognized by bond rating agencies for its effective debt management programs. Milwaukee currently has a manageable debt burden and has an annual interest expense below the average of comparable cities.

Per Capita Expenditures Interest Expense

Pittsburgh, PA	\$	185
Portland, OR		95
Cleveland, OH		60
Charlotte, NC		55
Columbus, OH		53
Cincinnati, OH		52
Milwaukee, WI		50
Toledo, OH		50
Sacramento, CA		35
Oklahoma City, OK		35
Average of Cities	\$	67

Culture & Recreation

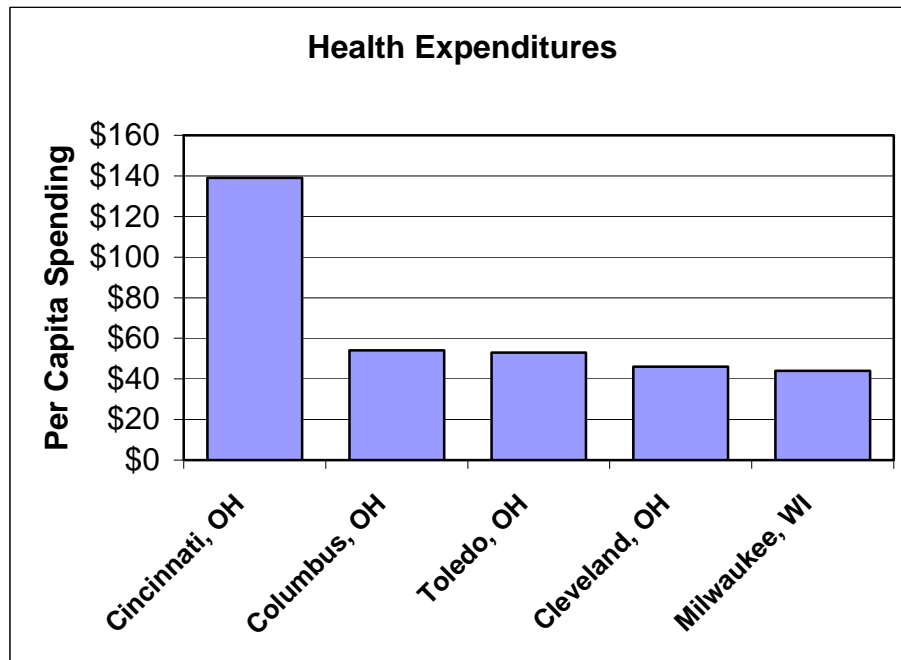


The services provided in this category vary significantly by city. Milwaukee is one of only five cities that report library services. Parks, which in Milwaukee are maintained by Milwaukee County, have reported expenditures in six of the comparable cities.

Per Capita Expenditures Culture & Recreation

Oklahoma City, OK	\$	221
Sacramento, CA		133
Cincinnati, OH		122
Columbus, OH		109
Cleveland, OH		95
Portland, OR		94
Milwaukee, WI		46
Pittsburgh, PA		36
Toledo, OH		25
Charlotte, NC		11
Average of Cities	\$	89

Health



Health services provided to individuals and families promote and safeguard the health of a community. The range of health services provided at different levels of government varies by community. Five of the ten comparable cities do not report any health service expenditures.

Per Capita Expenditures Health

Cincinnati, OH	\$	139
Columbus, OH		54
Toledo, OH		53
Cleveland, OH		46
Milwaukee, WI		44
Pittsburgh, PA		-
Portland, OR		-
Charlotte, NC		-
Sacramento, CA		-
Oklahoma City, OK		-

REVENUE SOURCES FROM STATE AIDS, LOCAL TAXES & CHARGES

In recent years, during elections and the State of Wisconsin budget process, much of the discussion focused on the need to reduce state aids to local governments and control local property taxes. Unlike most other states, Wisconsin's tax system was set up to collect sales and income taxes at the state level and redistribute a portion of these tax collections back to local governments. The higher level of state aids in Wisconsin has resulted in a lower level of locally generated tax revenues in Milwaukee than other comparable cities. This data is not presented to suggest Wisconsin should change its taxing structure to be more like other states. This data is presented to show state shared revenues to the City of Milwaukee is critical to the City of Milwaukee due to the lower level of local taxation.

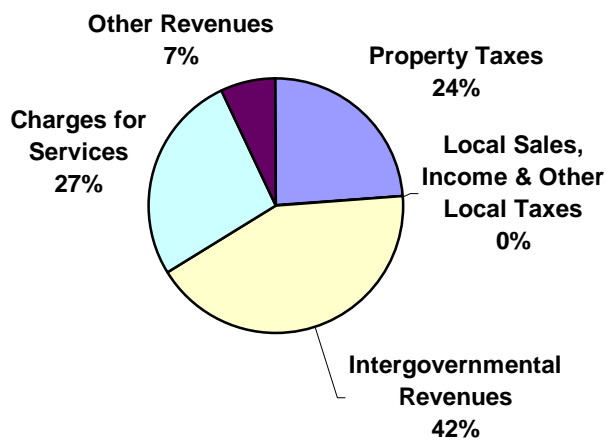
Per Capita Revenues

	City of Milwaukee	Average of Comparable Cities	Variance by Between Milwaukee & City Average	Milwaukee's Percentage of City Average
Property Taxes	\$ 348	\$ 249	\$ 99	140%
Other Local Taxes	-	430	(430)	
Total Local Taxes	\$ 348	\$ 679	\$ (331)	51%
State Shared Revenues	\$ 474	\$ 157	\$ 317	302%
Local Taxes & State Shared Revenues	\$ 822	\$ 836	\$ (14)	98%
Charges for Services	\$ 387	\$ 558	\$ (171)	69%
Intergovernment Grants	116	242	(126)	48%
Other Revenues	98	76	22	129%
Total	\$ 1,423	\$ 1,712	\$ (289)	83%

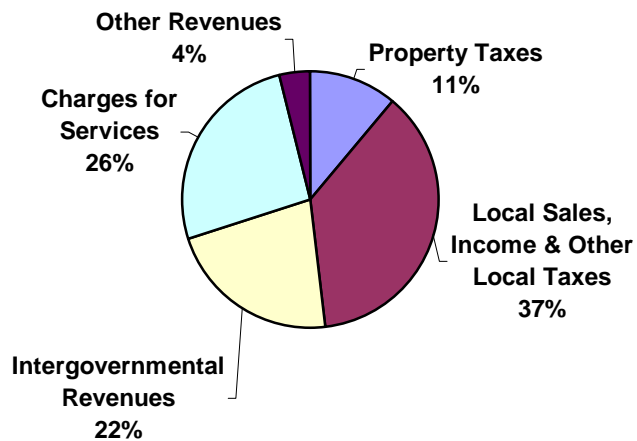
Although, the City of Milwaukee is generally viewed as a high tax city, local taxes in Milwaukee are \$331 less per capita than the average of comparable cities. When both local taxes and shared revenues are combined, Milwaukee receives \$14 less per capita than the average comparable city. The City of Milwaukee also collects significantly less than comparable cities for services charges (\$171) and Intergovernmental grants (\$126)

Milwaukee's local taxes account for 24% of its revenues compared to 48% for the average of comparable cities. Combining intergovernmental revenues and local taxes, excluding property taxes, make up 42% of the City of Milwaukee's revenues compared to 59% for the comparable cities per capita average. The lower level of funding from sales and income taxes through state aids in Wisconsin and other intergovernmental revenues appears to results in Milwaukee's relatively high percentage of funding from property tax dollars (24%) compared to other cities (11%).

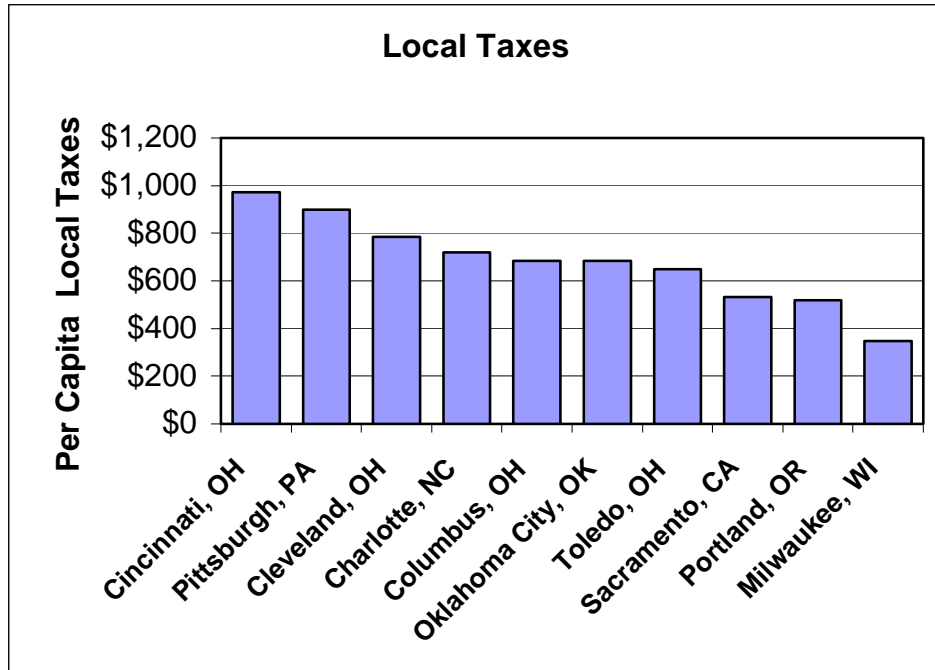
City of Milwaukee



Average of Comparable Cities



LOCAL TAXES

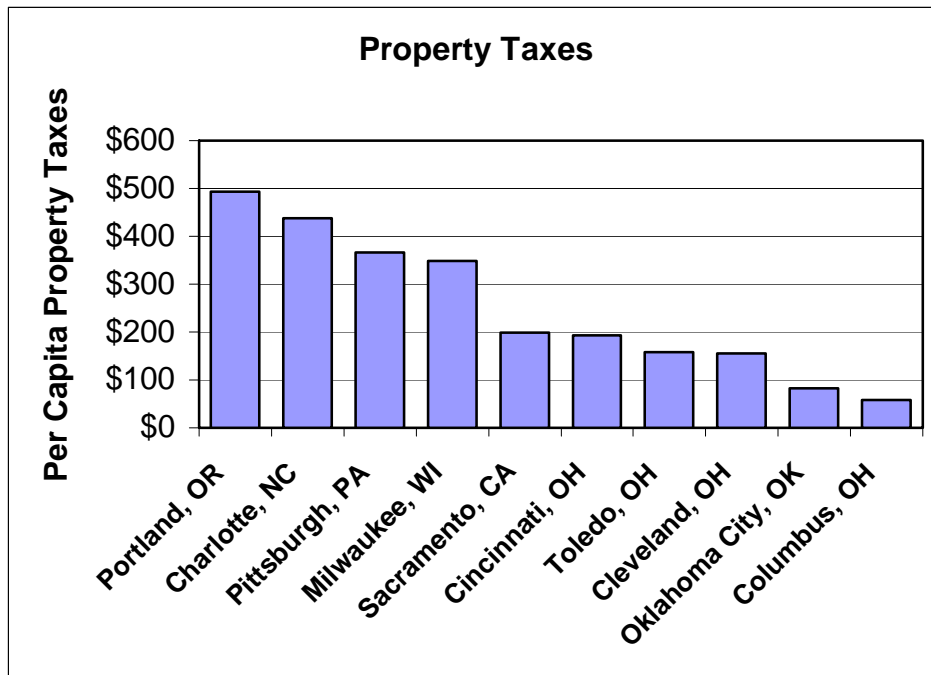


Since the City of Milwaukee does not have a local sales or income tax, Milwaukee's ranks last in per capita local taxes. The local taxes in Milwaukee are about half of the comparable cities' average. Milwaukee collects \$331 per capita less in local taxes than the average of comparable cities.

Per Capita Revenues Local Taxes

Cincinnati, OH	\$	972
Pittsburgh, PA		899
Cleveland, OH		784
Charlotte, NC		719
Columbus, OH		685
Oklahoma City, OK		683
Toledo, OH		650
Sacramento, CA		531
Portland, OR		517
Milwaukee, WI		348
Average of Cities	\$	679

PROPERTY TAXES

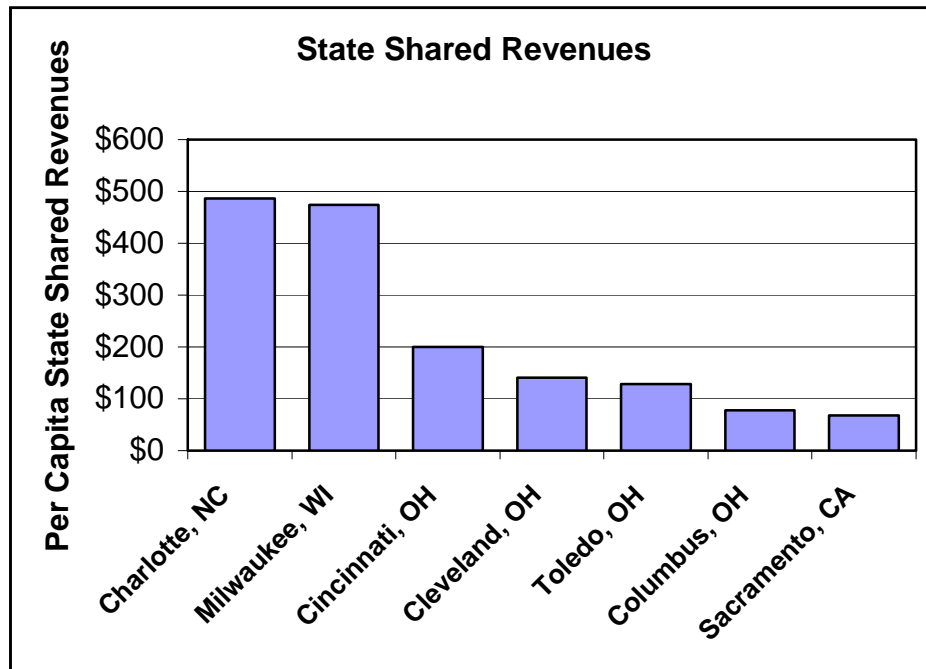


The City of Milwaukee's local tax is the property tax. Milwaukee's property taxes per capita are \$99 higher than the average of comparable cities. The lower level of funding for Wisconsin municipalities from sales and income taxes through state aids appears to be a major factor for the increased reliance on property taxes in the City of Milwaukee.

Per Capita Revenues Property Taxes

Portland, OR	\$	494
Charlotte, NC		438
Pittsburgh, PA		366
Milwaukee, WI		348
Sacramento, CA		199
Cincinnati, OH		193
Toledo, OH		159
Cleveland, OH		155
Oklahoma City, OK		82
Columbus, OH		58
Average of Cities	\$	249

STATE SHARED REVENUES

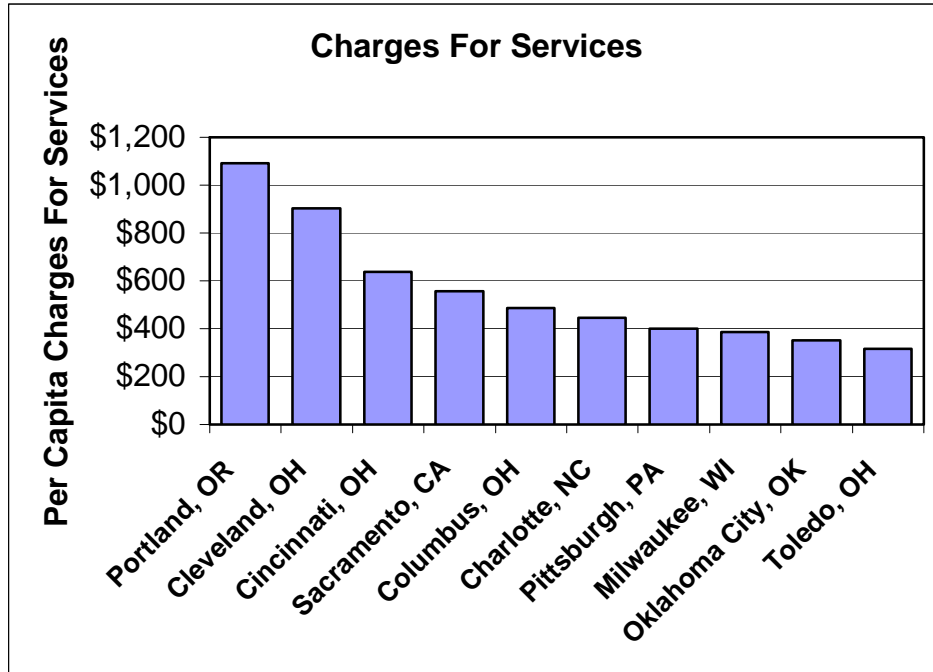


In Wisconsin, municipalities do not collect sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be collected by the State then redistributed to municipalities. This is the main reason why Milwaukee ranks high in funding from state shared revenues. In recent years, the State of Wisconsin has not only abandoned sharing the growth in sales and income taxes with municipalities, but has decreased the funding for state shared revenues. This results in a greater reliance on property taxes for city services in Milwaukee than comparable cities. The reduction in state shared revenues to Wisconsin municipalities in recent years put Milwaukee and other Wisconsin cities at a competitive disadvantage.

Per Capita Revenues State Shared Revenue

Charlotte, NC	\$	486
Milwaukee, WI		474
Cincinnati, OH		200
Cleveland, OH		140
Toledo, OH		129
Columbus, OH		78
Sacramento, CA		67
Pittsburgh, PA		-
Portland, OR		-
Oklahoma City, OK		-

CHARGES FOR SERVICES



The City of Milwaukee efforts to control the growth in property taxes and decreasing state shared revenue has resulted in a need to look for alternative funding sources. However, Milwaukee's per capita charges for services still remain low compared to other cities. Milwaukee's per capita charges for services are \$171 less than the average of comparable cities.

Per Capita Revenues Charges for Services

Portland, OR	\$	1,092
Cleveland, OH		903
Cincinnati, OH		637
Sacramento, CA		557
Columbus, OH		485
Charlotte, NC		446
Pittsburgh, PA		400
Milwaukee, WI		387
Oklahoma City, OK		351
Toledo, OH		317
Average of Cities	\$	558

Data Source & Limitations

Data used in this report is from Comprehensive Annual Financial Reports (CAFR) from the City of Milwaukee and nine comparable cities. See the next section of this report titled Comparable Cities Methodology for an explanation of how comparable cities were selected. Local governments use similar classification of expenditures and revenue in their CAFR but there may be some differences in the categorization of this financial data between cities. An example is some cities categorize infrastructure expenditures as Public Works while other cities call this category Public Services. Also, some cities directly finance and administer activities or services that in other municipal governments are undertaken by county government, state government or the private sector. However, CAFR data is the best and most currently available audited financial data and provides a reasonable basis for comparing cities to get a general understanding of differences between spending and funding of city services. In this report, the Comptroller's Office compares expenditure by type (administration, public safety, public works, etc.) and revenues data (local taxes, property taxes, charges for service, etc.). This Report excludes data from the following categories to enhance the comparability of other cities to the City of Milwaukee:

Electric Power Generation, Public Transit, Airports & Aviation, Cemeteries, Convention Centers, Golf Courses, Sport Facilities, Pass-Through Costs for Employee Retirement Systems, and Public School Education & School Capital Contributions.

The City of Milwaukee provides services that are not provided by all other comparable cities. The largest of these expenditures included in the City of Milwaukee's data but not all other cities are health services and the Port of Milwaukee.

The population data to calculate per capita values is from the 2000 census.

Comparable City Methodology

In selecting comparable cities to Milwaukee all US cities with 2000 Census populations between 300,000 and 900,000 were chosen. Of these cities, those that are not central cities within their respected MSAs were discarded.

The remaining cities were then classified as either “sunbelt” or “snowbelt”. “Sunbelt” cities are predominately located in the South and Southwest, while “snowbelt” cities are predominately located in the Northeast and Midwest. An anomaly is Portland, which is neither a “sunbelt” or “snowbelt” city. Located in the Northwest, Portland made the final selection of comparable cities when classified as either “sunbelt” or “snowbelt”. The importance of the classification process is that it allows a variety of cities to be compared to Milwaukee and also ensures that comparable cities are not clustered in one region of the Country.

After assigning “sunbelt” and “snowbelt” classifications, each city’s population figure was compared to the population figure of its MSA. For instance, Milwaukee has a population of 596,974 and a MSA population of 1,648,199. This means that the City’s population comprises 36% of the MSA population. Five of the closest “snowbelt” cities and four of the closest “sunbelt” cities in terms of city to MSA population were chosen. The cities of Denver and Baltimore were excluded from this selection process, because these cities have municipal governments with combined county and city functions, which would not provide good spending comparisons to the City of Milwaukee.

Financial statements prepared under the new reporting model, as required by GASB 34, were not available for the cities of Kansas City, New Orleans and Las Vegas. These cities were replaced with Charlotte, Oklahoma City and Toledo, which were the next closest in terms of city to MSA population percentage.

Overall, the methodology used generates a list of comparably sized cities located throughout the US that are the population centers in terms of their city to MSA populations and are similar in terms of their government function. (I.e., The list excludes combined city/county governments.)

The comparable cities to the City of Milwaukee included in this report are as follows: Pittsburgh, PA; Cincinnati, OH; Portland, OR; Columbus, OH; Charlotte, NC; Sacramento, CA; Oklahoma City, OK; Toledo, OH; Cleveland, OH